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REPORTABLE COMPENSATION: NORMAL SALARY SCHEDULES

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How Did We Get Here?

- Batista v ORS
- Filed in 2019
- Asserting that NSI (“normal salary increase”) unlawful
- Back-and-forth to COA and MSC twice
- Every decision agreed that NSI was unlawfully created
- Issue then turned to interpretation of section 3a(3)(f), which was the statute ORS used to justify NSI

MCL 38.1303a(3)(f)

- (3) Compensation does not include any of the following:
 - (f) Compensation in excess of an amount over the level of compensation reported for the preceding year except increases provided by the normal salary schedule for the current job classification. In cases where the current job classification in the reporting unit has less than 3 members, the normal salary schedule for the most nearly identical job classification in the reporting unit or in similar reporting units shall be used.

Arguments of Parties

- ORS argued that the NSI was a grant on its part because without the NSI individuals that were not paid under a normal salary schedule could not have any increases credited at all
- Plaintiffs argued that the language was not meant to apply to those individuals that were not paid under normal salary schedule – which had been the case for administrators even before the law was passed

Holding of Court

- Court ultimately found that it had to follow language and that the language does not account for individuals not paid by a normal salary schedule
- As a result, school employees should have and ORS should use the created salary schedules
- Court agreed that only a school district/ISD's governing board can determine the appropriate salary schedule (i.e., not the state)

Holding of Court

- Court specifically defined what is a “normal salary schedule” through a four-part test:
 1. Written document;
 2. Established by statute or approved by a reporting unit’s governing body;
 3. That indicates the time and sequence of compensation; and
 4. Conforms to a norm, rule, or principle – i.e., it applies to a generally applicable job classification rather than to a specific employee

Holding of Court

- In interpreting the second sentence of 3a(3)(f) the Court held:

“[W]e provide further clarity on how to interpret the second sentence [applicable to classifications of less than 3] of MCL 38.1303a(3)(f) in light of the definition of ‘normal salary schedule.’ . . . for those job classifications, the statute authorizes ORS to look outside the relevant school district when necessary to find ‘the most nearly identical job classification in the reporting unity or in similar reporting units.’ . . . Although administrators who fall within the ambit of the second sentence ‘must be shoehorned into an existing normal salary schedule,’ the statute as interpreted in this opinion provides school districts and ORS with the flexibility to look inside and outside of administrators’ school districts to find the most appropriate and comparable salary schedule to determine those administrator’s pensions.”

Lessons from Batista Decision

- Everyone should have a “normal salary schedule”
 - What that looks like may differ, but it should be specific to the position
- Salary schedule should be separate from an individual contract because a contract is specific to a person
 - Salary schedule may be referenced by contract
 - Salary schedule may be modified as contracts are negotiated/renegotiated – just like they are for bargaining units

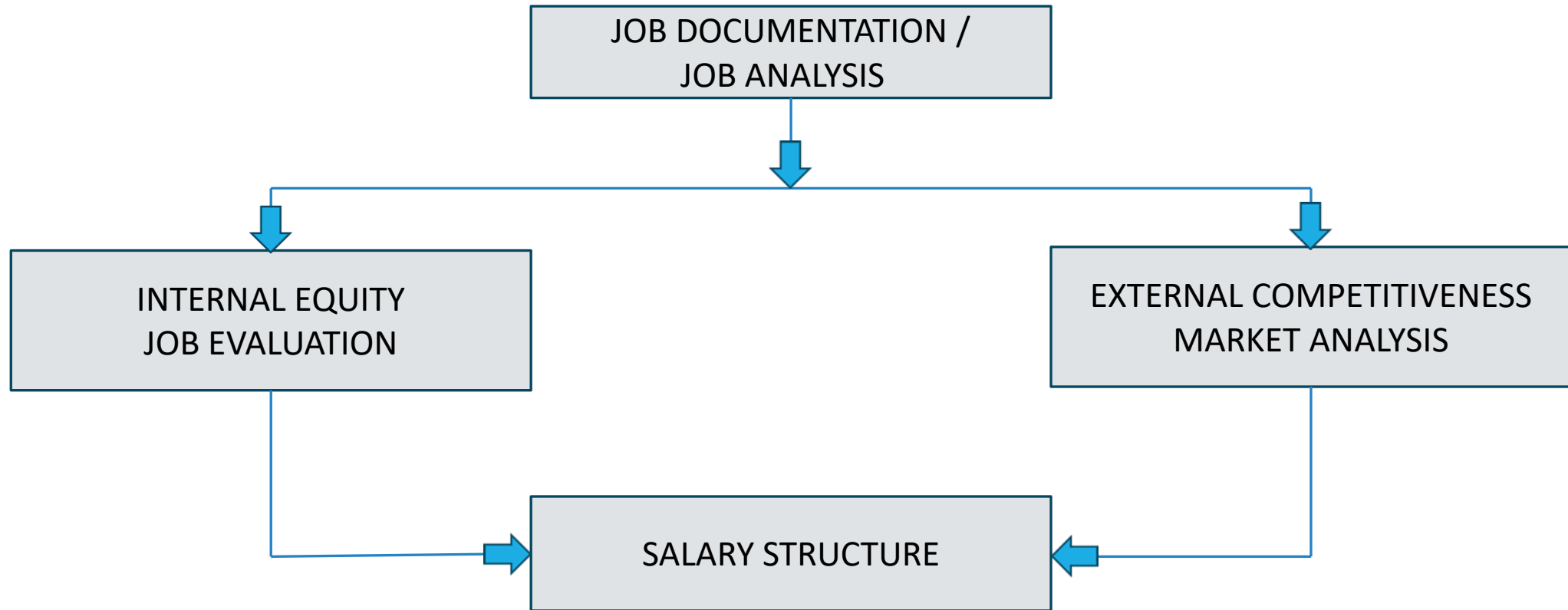
Lessons from Batista Decision

- Salary schedules can only be created by statute or governing board authority – i.e., NOT by ORS
- To the extent that ORS questions a salary schedule, they may/should look for the MOST comparable schedule inside or outside the District
 - This should prevent ORS from looking ONLY to teacher salary schedules as a comparator
 - That does, however, appear to be the continuing practice. As a result, if other salary schedules are used for comparison, those should be kept and supplied
 - ORS will generally go to the School District to find “relevant” salary schedules

What is “Compensation”?

- Salary and Wages
- Extra-Duty Pay
- Employer investments into a TSA
- Longevity
- Overtime
- Deferred Compensation
- Merit Pay

An Integrated Approach to Developing A Salary Schedule



Job Evaluation

Typical job evaluation factors for administrator positions:

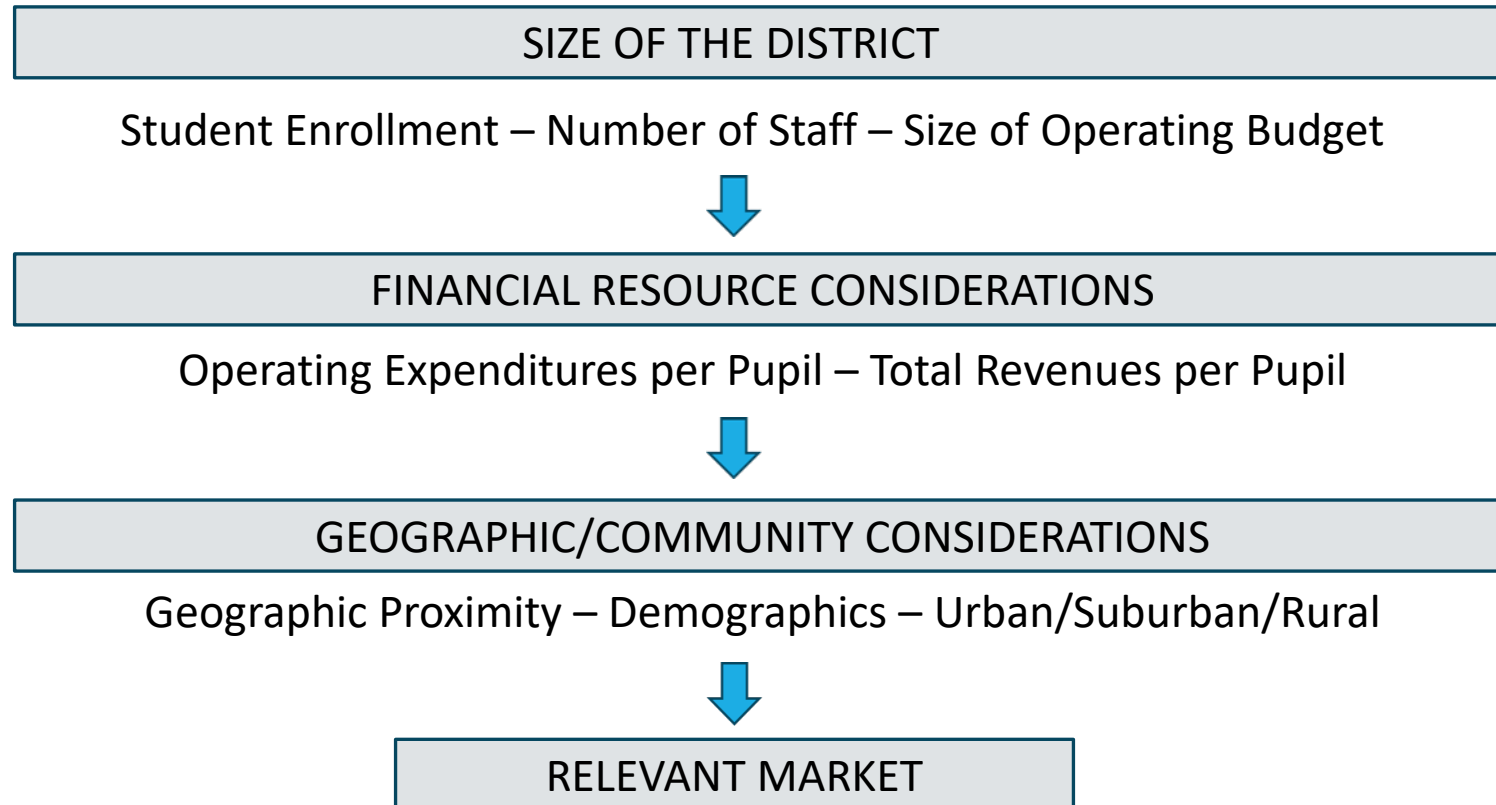
- Education
- Work Experience
- Interpersonal/Communication Skills
- Supervisory or Managerial Responsibility
- Job Complexity
- Judgement/Independence of Action
- Responsibility for Stakeholder Relations
- Responsibility for Operations and Educational Services
- Responsibility for Financial Results

Additional factors often used for administrative support/operational/paraprofessional positions:

- Specialized Skills/Knowledge
- Working Environment (Physical Demands, Mental Demands, Working Conditions)

Market Analysis

Defining the relevant labor market – School Districts



Market Analysis

Defining the relevant labor market – Broader employer market

- Positions to consider:
 - ✓ Finance / Accounting
 - ✓ Technology
 - ✓ Human Resources
 - ✓ Community Relations
 - ✓ Operations
 - ✓ Administrative Support
- Sources: Published surveys

Building the Salary Schedule

Parameters

- # of Salary Grades / Levels
- Size of Grade / Level Differentials
- Width of Salary Ranges
- # of Steps
- Size of Step Increases

Notes

- Salary schedules can be built for individual positions
- Salary schedules should also include additional reportable compensation, e.g., TSA, longevity pay, education stipend, merit pay

Salary Schedule Example

Grade	STEPS									
	1	2	3	4	5	6	7	8	9	10
14	\$139,196	\$143,372	\$147,673	\$152,103	\$156,666	\$161,366	\$166,207	\$171,193	\$176,329	\$181,619
13	\$126,542	\$130,338	\$134,248	\$138,275	\$142,423	\$146,696	\$151,097	\$155,630	\$160,299	\$165,108
12	\$115,038	\$118,489	\$122,044	\$125,705	\$129,476	\$133,360	\$137,361	\$141,482	\$145,726	\$150,098
11	\$104,580	\$107,717	\$110,949	\$114,277	\$117,705	\$121,236	\$124,873	\$128,619	\$132,478	\$136,452
10	\$95,073	\$97,925	\$100,863	\$103,889	\$107,006	\$110,216	\$113,522	\$116,928	\$120,436	\$124,049
9	\$86,430	\$89,023	\$91,694	\$94,445	\$97,278	\$100,196	\$103,202	\$106,298	\$109,487	\$112,772
8	\$78,573	\$80,930	\$83,358	\$85,859	\$88,435	\$91,088	\$93,821	\$96,636	\$99,535	\$102,521
7	\$71,430	\$73,573	\$75,780	\$78,053	\$80,395	\$82,807	\$85,291	\$87,850	\$90,486	\$93,201
6	\$64,936	\$66,884	\$68,891	\$70,958	\$73,087	\$75,280	\$77,538	\$79,864	\$82,260	\$84,728
5	\$59,033	\$60,804	\$62,628	\$64,507	\$66,442	\$68,435	\$70,488	\$72,603	\$74,781	\$77,024
4	\$53,666	\$55,276	\$56,934	\$58,642	\$60,401	\$62,213	\$64,079	\$66,001	\$67,981	\$70,020
3	\$48,787	\$50,251	\$51,759	\$53,312	\$54,911	\$56,558	\$58,255	\$60,003	\$61,803	\$63,657
2	\$44,352	\$45,683	\$47,053	\$48,465	\$49,919	\$51,417	\$52,960	\$54,549	\$56,185	\$57,871
1	\$40,320	\$41,530	\$42,776	\$44,059	\$45,381	\$46,742	\$48,144	\$49,588	\$51,076	\$52,608

Range Widths: 30.5%
 Grade Differentials: 10.0%
 Step Differentials: 3.0%

Salary Schedule Structure Considerations

Job Classifications

- Are there “job classifications” of less than three?
- Consider grouping positions together as part of a “job classification”
i.e., Executive Administrator, Building Administrator, etc.

Additional Compensation

- Should be reflected somehow on salary schedule
- Can integrate directly into schedule (with own lane, total compensation number, etc.)
- If not integrated, should at least make note on salary schedule
 - *Individuals in Grade 13 or 14 receive additional compensation including merit pay, longevity, and TSA payments according to the terms of their individual contract and the Board’s merit pay schedule.

Salary Schedule Implementation Considerations

Basis for Position Grade Placement

- Market value of position
 - Median salary range midpoints
 - Median incumbent salary levels
- Internal equity issues
- Desired degree of competitiveness – Typical goal – salary schedule range midpoints at market median levels

Incumbent Step Placement Options

- Step closest to, not less than, current market salary
- Years of experience in current position model